

Commodity Futures Trading Commission
CEA CASES

NAME: SECRETARY OF AGRICULTURE V. RAY E. STUART

CITATION: 1 Agric. Dec. 359

DOCKET NUMBER: 31

DATE: MAY 23, 1942

DOCUMENT TYPE: DECISION AND ORDER

(A. D. 127)

UNITED STATES OF AMERICA

BEFORE THE SECRETARY OF AGRICULTURE

CE-A Docket No. 31

SECRETARY OF AGRICULTURE, COMPLAINANT V. RAY E. STUART, RESPONDENT.
Proceedings, Findings of Fact, Conclusions and Order.

PROCEEDINGS

On April 17, 1942, a complaint was issued by the Assistant Secretary of Agriculture pursuant to the Commodity Exchange Act (7 U. S. C. 1940 ed. 1), against Ray E. Stuart, of Freeport, Illinois, the respondent.

The complaint alleged that Ray E. Stuart, during the years 1940, 1941 and 1942, while engaged in business as a futures commission merchant and registered as such with the Secretary of Agriculture under the provisions of the Commodity Exchange Act and acting as a correspondent or agent of a clearing member of a contract market, did willfully make and cause to be made misleading and false reports and statements, concerning contracts for the future delivery of commodities, to customers; willfully attempted to and did deceive customers in regard to such contracts and acts of agency performed with respect to such contracts; willfully defrauded customers of funds which were deposited in order to margin and guarantee their trades and which resulted from their trades in commodities for future delivery; bucketed the orders of customers for the purchase or sale of commodities for future delivery on or subject to the rules of contract markets; failed to keep accurate records with respect to such trades and gave false information to representatives of the Department of Agriculture with respect to trades in commodities for future delivery on or subject to the rules of contract markets.

A copy of the complaint was served on the respondent by registered mail on April 23, 1942, and a hearing was set for May 6, 1942, in Chicago.

On April 23, 1942, Ray E. Stuart, the respondent, executed a document entitled "Admission of Facts, Waiver of Hearing, and Consent to Order", in which he acknowledged receipt of a copy of the complaint in this proceeding; admitted the allegations contained therein; waived a hearing on the complaint and consented to the entry, without further notice to him, of an order by the Secretary of Agriculture directing all contract markets to deny him trading privileges for such period of time as the Secretary of Agriculture may determine, and revoking his registration as a futures commission merchant.

FINDINGS OF FACT

1. Ray E. Stuart, the respondent, is an individual who during the years 1940, 1941, and 1942, has been registered with the Secretary of Agriculture as a futures commission merchant under the provisions of the Commodity Exchange Act

and has engaged in business as a futures commission merchant under the name and style of R. E. Stuart & Company, at Freeport, Illinois.

2. During the years 1940, 1941, and 1942, the respondent received orders from various customers and accepted funds from these customers to margin transactions in contracts for the future delivery of grains, on and subject to the rules of the Board of Trade of the City of Chicago, a contract market designated as such by the Secretary of Agriculture.

3. The transactions in grain futures contracts executed for the account of the respondent's customers on the Board of Trade of the City of Chicago during 1940, 1941 and 1942 were made through firms which during the periods referred to were clearing members of the Chicago Board of Trade, and the respondent during this time was a correspondent or agent of these firms.

4. During the period from November 20, 1940, to February 1942, the respondent entered orders for the purchase and sale of commodities for future delivery on and subject to the rules of the Board of Trade of the City of Chicago for his own account in the accounts of customers without the knowledge or consent of the customers, thereby using the customers' funds to margin and guarantee the trades of the respondent. These trades were made in the accounts of Lorena Medeke, Edna Althof, Mrs. Raymond Young, and Heiko Greenfield, and as a result of these trades, the funds on deposit with the respondent for these parties were completely dissipated.

5. The respondent, while a correspondent of a member firm of a contract market, in connection with orders to make and the making of futures contracts for commodities named in the Commodity Exchange Act on contract markets, which contracts may be used for hedging or determining the price basis of transactions in interstate commerce in the commodities involved, on April 22, 1941, and various dates thereafter, including April 26, September 15, September 22, October 8 and 14, November 22, 28, and 29, December 4, 9, and 13, 1941, and February 26, 1942, bucketed such orders and confirmed the execution thereof to various customers including Mrs. Raymond Young, Lorena Medeke, Edna Althof, and Heiko Greenfield when, in fact, the orders were not executed on a contract market but were held by the respondent for his own account.

6. The respondent from April 22, 1941, to February 26, 1942, conducted an office and place of business at Freeport, Illinois, for the

purpose of soliciting or accepting orders for the purchase or sale of commodities for future delivery and conducting deals in commodities for future delivery that could be used for hedging or determining the price basis for such transactions in interstate commerce and executed or consummated such orders, contracts, or dealings otherwise than by or through a member of a contract market.

7. The respondent, during the times hereinbefore mentioned, delivered for transmission through the mail or in interstate commerce by other means of communication, confirmations of the execution of and reports of the price of contracts of sale of commodities for future delivery, on or subject to the rules of the Board of Trade of the City of Chicago, when such contracts were not made on or through a member of, a Board of Trade which had been designated by the Secretary of Agriculture as a contract market.

CONCLUSIONS

Based upon the foregoing facts it is concluded that the respondent willfully made and caused to be made misleading and false reports and statements concerning orders to make and the making of contracts of sale of commodities for future delivery made or to be made on or subject to the rules of a contract market; attempted to and did deceive customers in regard to such contracts and acts of agency performed with respect thereto; defrauded customers of funds deposited to margin and guarantee their trades in commodities for future delivery and of funds resulting from such trades; bucketed orders for the

purchase and sale of commodities for future delivery on and subject to the rules of contract markets; all in violation of Section 4 (b) of the Commodity Exchange Act. The respondent, in addition thereto, conducted an office and place of business for the purpose of soliciting or accepting orders for the purchase or sale of commodities for future delivery that could be used for hedging or determining the price basis of transactions in such commodity in interstate commerce and executed or consummated such orders, contracts, or dealings otherwise than by or through a member of a contract market, in violation of section 4 (h) (1) of the Commodity Exchange Act; transmitted through the mails confirmation of the execution of and reports of the price of contracts of sale of commodities for future delivery on or subject to the rules of a contract market, when such contracts were not made on or through a member of a Board of Trade which had been designated by the Secretary of Agriculture as a contract market, in violation of Section 4 of the Commodity Exchange Act. For these violations the respondent should be denied trading privileges on contract markets and his registration as a futures commission merchant under the provisions of the Commodity Exchange Act should be revoked.

ORDER

IT IS ORDERED that all contract markets refuse Ray E. Stuart all trading privileges thereon for a period of five years beginning on the effective date of this order.

IT IS FURTHER ORDERED that the registration of Ray E. Stuart as a futures commission merchant be, and the same hereby is, revoked.

IT IS FURTHER ORDERED that a copy hereof be sent by registered mail to the respondent and to each contract market and that this order shall be effective ten days after its date.

Done at Washington, D. C., this 23rd day of May, 1942.

Witness my hand and the seal of the Department of Agriculture.

[SEAL]

(S) **THOMAS J. FLAVIN**

Assistant to the Secretary of Agriculture

Acting Pursuant to Authority Delegated by the Secretary of Agriculture under the Act of April 4, 1940 (54 Stat. 81; 7 F. R. 2656).

LOAD-DATE: March 12, 2008

